

Message Text

SECRET

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TO AMEMBASSY JIDDA IMMEDIATE

S E C R E T STATE 229100

EXDIS FOR AMBASSADOR FROM SECRETARY BLUMENTHAL

E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MESSAGE FROM TREASURY SECRETARY BLUMENTHAL TO
FINANCE MINISTER ABALKHAIL

1. PLEASE PASS THE FOLLOWING MESSAGE FROM TREASURY
SECRETARY BLUMENTHAL TO FINANCE MINISTER ABALKHAIL.
2. QUOTE. DEAR MR. MINISTER: I WANT TO EXPRESS MY
DEEP APPRECIATION FOR YOUR RECENT EFFORTS TO FACILITATE
GREATER STABILITY IN THE FOREIGN EXCHANGE MARKET. THE
STATEMENT BY CROWN PRINCE FAHD HAS BEEN MOST HELPFUL IN
DEFUSING RUMORS OF A SHIFT FROM THE DOLLAR AS THE PRICING
UNIT FOR OIL AND OF EARLY ACTION TO RAISE OIL PRICES,
AND HAS CONTRIBUTED TO AN EASING OF PRESSURES ON THE DOLLAR
IN THE EXCHANGE MARKETS IN RECENT DAYS.

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3. AS YOU SUGGESTED, WE HAVE APPROACHED THE IRANIAN AND
VENEZUELAN GOVERNMENTS ON THESE MATTERS. OUR DISCUSSIONS
WITH IRAN INDICATE THAT IRAN HAS NO INTENTION OF SHIFTING
TO THE SDR OR CURRENCY BASKET AS THE DENOMINATOR FOR OIL
PRICES, STRONGLY OPPOSES AN OPEC MEETING BEFORE DECEMBER,
AND EXPECTS TO ADOPT A POSITION IN DECEMBER THAT IS "PRETTY
CLOSE" TO SAUDI ARABIA'S POSITION. THE VENEZUELAN

AUTHORITIES INDICATE THAT THEY DO NOT ANTICIPATE A CHANGE IN THE PRICING UNIT OR EARLY ACTION ON PRICES, AND THAT THEY WILL ENDEAVOR TO MAKE SOME CONSTRUCTIVE STATEMENTS

TO CALM THE EXCHANGE MARKETS. AS YOU KNOW, HOWEVER, VENEZUELA CONTINUES TO FAVOR AN OIL PRICE INCREASE AND MAY RAISE THIS QUESTION WITH SHAIK YAMANI DURING THE NEXT FEW WEEKS.

4. SINCE OUR MEETING, WE HAVE ANNOUNCED A MAJOR EXPANSION OF THE TREASURY GOLD SALES PROGRAM, AND THE FEDERAL RESERVE ANNOUNCED A REDUCTION OF RESERVE REQUIREMENTS TO ZERO ON EURODOLLAR BORROWINGS BY U.S. BANKS AS A FURTHER MONETARY MEASURE TO STRENGTHEN THE DOLLAR. WE ARE CONTINUING TO REVIEW ADDITIONAL STEPS THAT MIGHT BE TAKEN. YOU MAY BE ASSURED THAT THE U.S. IS FIRMLY COMMITTED TO TAKING THE FUNDAMENTAL ACTIONS ON INFLATION AND ENERGY REQUIRED TO DEAL WITH OUR BALANCE OF PAYMENTS PROBLEMS AND TO JUSTIFY THE CONTINUED CONFIDENCE IN THE U.S. ECONOMY WHICH PRINCE FAHD EXPRESSED IN HIS STATEMENT. WHILE WE WERE DISAPPOINTED WITH THE JULY TRADE FIGURES, A PART OF THE PROBLEM MAY LIE IN ERRORS AND SEASONAL ADJUSTMENTS WHICH MAY HAVE MADE THE JUNE DEFICIT APPEAR TOO LOW AND THE JULY DEFICIT TOO HIGH. WE CONTINUE TO EXPECT THAT THE IMPORT FIGURES WILL IMPROVE IN COMING MONTHS AS RECENT EXCHANGE RATE ADJUSTMENTS AFFECT THE DEMAND FOR FOREIGN
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PRODUCTS AND THAT THE OVERALL TRADE DEFICIT WILL RESUME ITS DECLINE.

5. IT WAS A PLEASURE SEEING YOU IN FLORIDA, AND I LOOK FORWARD TO SEEING YOU DURING THE IMF/WORLD BANK ANNUAL MEETINGS LATER THIS MONTH.

6. WITH BEST REGARDS,

7. SINCERELY,

8. W. MICHAEL BLUMENTHAL. UNQUOTE.

9. THERE IS NO ORIGINAL LETTER. CHRISTOPHER

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NNN

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